

## Market Review

May 2019

Here is what the recent correction looked like, primarily in the last quarter of last year and the significant upward rally that took place during the first four months of this current year.

	<b>Correction</b> (Jul 13/18 – Dec 24/18)	<b>Recovery</b> (Christmas week – April end)
<b>Canada TSX</b>	<b>&lt;16.7%&gt;</b>	<b>+20% required to recover</b> <b>+20.3% actual</b>
	<b>Correction</b> (Oct 3/18 – Dec 24/18)	<b>Recovery</b> (Christmas week – April end)
<b>U.S. S&amp;P 500</b>	<b>&lt;19.6%&gt;</b>	<b>+24.4% required to recover</b> <b>+24.3% actual</b>
<b>U.S. Nasdaq</b>	<b>&lt;23%&gt;</b>	<b>+29.9% required to recover</b> <b>+31.7% actual</b>

*Required to recover*, means the percentage increase required to recover what was given up in the 2018 correction and *actual* means just what the index did during the recovery rally of Jan – Apr this year.

### A few things we can learn...

The indices have recovered from the correction. This has never *not been the case*, historically.

It makes sense to stay with the market versus stepping out of it. The closest we get to stepping out is our raising and/or reducing cash slightly.

Last year we saw corporate tax cuts in the U.S. which enhanced corporate earnings. This year the market is likely going to trade on low interest rates and low unemployment, but earnings will remain front and centre. While central bankers in both countries (Bank of Cda and the Fed) talked up rising interest rates on a growing economy, they are back-peddling from such rhetoric now that rates have collapsed again.

The economy for them is less certain as it is with forward guidance being provided by corporations as they report quarterly earnings. Still, very low unemployment (the lowest since 1969), and low relative interest rates remain positive signs for the economy.

Five-year Canada bonds currently pay 1.53% (a negative real rate of return after tax and inflation)

That said, several current and growing problems remain which may be topics of further political discussion going forward...

- 1) Artificial intelligence and automation are resulting in outstanding manufacturing in the U.S. while manufacturing employment continues to decline. In the future, I believe this will create problems in society where we seek to provide social benefits but where we no longer require full employment.
- 2) How does society adjust for the growing concentrations of wealth? One way being considered is to raise wages which we are starting to see as more common political discussion in various segments of the economy – particularly services.
- 3) How do shareholders regain control of their companies as owners, where hired management is put in place as hired managers? The CEO of Disney was paid \$66 million dollars last year for his management role at that company.

Enjoy the warmth returning to our hemisphere!

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. ***This commentary reflects my opinions alone, and may not reflect the views of National Bank Financial Group.*** In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

Best,

Rob Hunter  
Vice President  
Senior Investment Advisor

Sources: Thomson One, Globe & Mail, New York Times, Dr Cornel Clayton, Director of the Thomas S. Foley Institute for Public Policy and Public Service at Washington State University

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